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RUEHC/DEPT OF LABOR WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 001104

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STATE PASS TO USTR FOR KARESH AND ROSENBERG

E.O. 12958: DECL: 03/21/2016

TAGS: ELAB ECON ETRD AE

SUBJECT: LABOR UNIONS WILL NOT ALLOW FOREIGNERS TO VOTE,
NEW RULES FOR BANK GUARANTEES

REF: ABU DHABI 00864

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Classified By: Ambassador Michele J. Sison for reasons 1.4 (b) & (d)

11. (U) This is an action request. Please see para. 8.

12. (C)Summary: On March 15, Econchief and Econoff met with Dr. Khalid Al Khazraji U/S of Labor in the Ministry of Labor Affairs (MOL) and Mohammed Al Zaabi Director of International Relations to discuss recent labor developments. An amendment to the labor law authorizing the Minister of Labor to allow unions is pending before the Cabinet. Although foreigners would be allowed to join the unions, they will not/not be allowed to vote. Al Khazraji stressed the need for USG officials to lobby the UAE at the highest levels to pass labor laws which conform to international labor standards. The U/S also explained the recent change in the implementation of bank guarantees, which certain employers must provide to ensure payment of workers' wages. End Summary.

Foreigners not allowed to vote in proposed labor unions

13. (C) Al Khazraji discussed the proposed amendment to the labor law, which allows the MOL to authorize and regulate unions by ministerial decree. He explained his vision of how labor unions will function. Foreign workers would be allowed to join unions, but would not have voting rights. Econoffs stressed labor laws should provide fundamental principles of freedom of association and the right to organize and bargain collectively. Econoffs also expressed concern that a lack of voting rights for foreign workers would make it more difficult for them to fully defend their labor interests. They also asked how laborers would be able to unionize, since that sector appeared to be exclusively expatriate. Al-Khazraji stressed that he viewed the proposal for labor unions as a first step. He noted that creating labor unions and allowing foreign membership was a big step for the UAE and compared the process to swimming in the sea. "You don't jump right in," he said, "you go in step by step." He did not rule out the possibility of foreigners having voting rights in the future. He said that he thought that the current professional associations could easily convert to unions. In the case of laborers, Al-Khazraji acknowledged the lack of Emirati laborers, but noted that there were construction-related professional associations and that these could possibly represent laborers. The U/S stressed the need for USG officials to push labor issues with the UAE at the highest levels and said the UAE is more likely to revise its labor laws with pressure from the USG.

Changes to Bank Guarantee procedures

¶4. (SBU) Al Khazraji also explained the current wage guarantee system, which has been in effect for the past four years, as well as proposed changes. The system requires companies to hold a certain sum of money for each worker. The funds are used to reimburse workers in case the company defaults on payments. At present, companies hold in escrow between Dhs 1000-3000 per worker (USD \$272-\$817) depending on the number of employees.

¶5. (SBU) Under the new system, if a company has fewer than 1000 employees, it will pay a guarantee up to Dhs. 3 million (USD \$810,000). If it has over 1000 employees, an employer must pay up to Dhs. 5 million (USD \$1,350,000). Only the courts can order companies to pay workers from the set-aside bank guarantees.

¶6. (SBU) The Council of Ministers, Resolution Number 19 for 2005 ties the payment of bank guarantees to Emiratization and multicultural work environment requirements. Under the Resolution, companies are categorized as A, B, or C. A business is classified as category A if it meets three requirements: 1) Diversity -- i.e., no more than 30% of its employees are from the same nationality, 2) If required, it meets Emiratization targets by recruiting nationals at a minimum rate of 2% a year, and 3) It has no labor law violations. If a business meets all three requirements, it is considered Category A and is not required to pay any bank guarantees. A company is classified as Category B if: 1) 31-74% of its employees are from the same nationality or 2) it has violated any labor law. A company is classified as Category C if: 1) 75% or more of its employees are the same nationality or 2) it has violated Emiratization rules.

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¶7. (SBU) In addition to the three Categories set out in Resolution 19, Dr. Al Khazraji described a subset of Category ¶A. The companies in the Category A subset must pay bank guarantees, but smaller bank guarantees than category B companies. The Category A subset applies to companies that are meeting Emiratization quotas, but don't meet the other targets. Companies that are not required to meet Emiratization quotas, but do so anyway can benefit from this category.

¶8. (SBU) Action request: Post requests that USTR and Dept. provide talking points on the proposed Ministerial Decree authorizing the establishment of labor unions without voting rights for expatriates so that Emboffs may raise these issues with UAEG officials.

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